

Ongoing PERS Plan 3 Items

Publications

PERS Plan Choice Booklet

The *PERS Plan Choice Booklet* provides information for new Public Employees' Retirement System (PERS) members to help them choose between PERS Plan 2 and PERS Plan 3, as well as information for existing PERS Plan 2 members who are eligible to transfer to PERS Plan 3 each January.

Employers should provide a copy of the *PERS Plan Choice Booklet* to:

- each new PERS member;
- each new employee who is eligible to transfer from PERS Plan 2 to PERS Plan 3 each January, along with the *PERS Plan 2 Member Handbook*; and
- each existing employee who is eligible to transfer from PERS Plan 2 to PERS Plan 3 each January that requests more information

Employers should keep in mind that defaulting to PERS Plan 3 and contribution rate option A is irrevocable. Therefore, every effort should be made to provide Department of Retirement Systems' (DRS) materials to new members as soon as possible and to send reminders of their deadlines during the 90-day window.

Prior Publications

Employers should continue to use their current supply of the *PERS Plan 2 or Plan 3 New Member Choice* packet for new (Plan Choice) members until their supply is exhausted. Once this occurs, employers should begin using the revised *PERS Plan Choice Booklet* for all Plan 2 members described above. Employers should no longer be using the *PERS Plan 2 or Plan 3 Transfer Decision* packet.

Member Rules

PERS members now fall into three distinct groups. Each group has different rules that are detailed below:

New Member Plan Choice

New employees who first established PERS membership on or after March 1, 2002 (for state agency or higher education employers), or on or after September 1, 2002 (for local government employers) have the option to become a member of PERS Plan 2 or PERS Plan 3. The member must choose within 90 days of their date of hire into a PERS-eligible position or they will default into Plan 3. The member must be reported in Plan 2 until they choose their Plan. Members who select Plan 2 may not transfer to Plan 3 at a later date. Employers should direct them to the *Journey to Retirement* portal at <http://www.drs.wa.gov/member/pers/2or3/> for more information.

Transfer members

Employees who established PERS Plan 2 membership prior to March 1, 2002 (for state agency or higher education employers), or September 1, 2002 (for local government employers), and did not transfer during their initial transfer window, will have the option to transfer to PERS Plan 3 each January. Employers should direct these members to the *Journey to Retirement* portal at <http://www.drs.wa.gov/member/plan3/> for more information.

Membership Chosen

- **Plan 2 Chosen members** – The employee who had a new member plan choice and who made an irrevocable election to enter Plan 2 membership. The member must be enrolled in Plan 2 and has no subsequent right to elect to transfer to Plan 3.
- **Plan 3 Chosen members** – The employee who had a new member plan choice and who made an irrevocable election to enter Plan 3 membership. This member must be enrolled in Plan 3 and provided the Member Information Form (MIF) for selection of their contribution rate and investment program. The employee has 90 days to choose their rate and investment program before defaulting to contribution rate option A and the Washington State Investment Board (WSIB) investment program.
- **Plan 2 member who has not made a Plan 2/Plan 3 choice** - The New Member Plan Choice employee who worked in an eligible PERS position less than 90 days and did not make a plan choice before they separated from employment. If the person is reemployed in an eligible PERS position, the member should again be treated as a New Member Plan Choice (see above).

Plan 3 Seminars

Though the initial transfer windows have closed, employers will still be asked to host and support Investment Basics and Distribution seminars.

- The Investment Basics seminar is a one and a half hour presentation on the basics of PERS Plan 3, fundamentals of investing, and PERS Plan 3 investment options and services.
- The Distribution seminar is a one-hour presentation on PERS Plan 3 distribution options and retirement investing strategies.

These seminars are sponsored by DRS and conducted by ICMA-RC at employer sites and regional locations throughout the state. Members who need information or would like to register for either of these can do so through the Plan 2 or Plan 3 Web portal at <http://www.drs.wa.gov/member/pers/2or3/>.

Policies

Regarding 90-day period

- Each time a Plan 3 member changes employers the member has up to 90 days to select a rate option and investment program. Member contributions should not be deducted until the employer receives the MIF. Employers should notify new members that they will need to complete this form to continue their Plan 3 deductions and provide them with a copy of the form. Members who do not provide a form will be defaulted to contribution rate option A and WSIB.
- Employers cannot make up Plan 3 member contributions for periods missed while the member was selecting a contribution rate option (i.e., during the 90 calendar days allowed for choosing a contribution rate option and investment program).

- If it is discovered that an employer needs to report a new member retroactively, the member's 90 calendar day period begins on the day it is discovered that the member should have been reported. The employer should inform the employee of their 90-day period and start reporting compensation, employer contributions and hours immediately.
- If it is discovered that an employer did not report a Plan 3 member during an eligible period of time, start reporting compensation, employer contributions and hours of service credit immediately. Service credit will be granted immediately. The member has up to 90 calendar days from the date of discovery to select their rate option and investment program.
- A member working for more than one employer (in eligible positions) may establish a different rate option and investment program with each employer.
- A member who separates from employment and returns to work for the same employer, may select a new rate option only if the member worked for a different employer during their separation period. If the member is rehired in a short enough time frame to cause the employer to question their opportunity to have worked for a different employer, the employer should ask the member "Did you work anywhere else in-between your termination and new hire dates?"

Regarding Employer Reporting

- When a member selects a contribution rate and investment program or is defaulted (rate option A, investment program WSIB), member contributions will be made from the first day of the pay cycle in which the selection is made – the employer includes this information on the next transmittal report based on the employer's payroll cutoff schedule.
- Employer contributions are due from the first day of member eligibility.
- If rate changes are necessary following a member's birthday, employers should begin using the new rate on the first day of the following month. For example, if a member who has selected rate Option B turns 35 on January 15th, the employer would deduct contributions, at the rate of 6 percent, for all reportable compensation paid as of February 1. It is the employer's responsibility to track the member's age and make the appropriate adjustments.
- Employers must be prepared to report after tax and tax-deferred member contributions.
- Employers will report the Plan 3 member contributions (defined contributions) "as paid." The contribution rate is based on the rate in effect at the time the compensation was paid. The Plan 2 member contributions and Plan 2/3 employer contributions (defined benefit) will continue to be reported, "as earned".
- DRS recommends that employers report the defined contribution information on their payroll cycles. The sooner DRS receives member contributions and the report detail that accompanies them, the sooner members have the opportunity to start earning on their contributions. Contact ESS to switch to multiple reports per month.

Reporting Plan 2 and Plan 3 Members

Below are the different reporting options based on the new employee's retirement system history.

New members - All new members should initially be reported in Plan 2 unless you receive a MIF from an employee choosing Plan 3 before your first payroll cutoff. If reporting for the first time, be sure to include the Begin Date, even if it's the same as the Plan Choice date.

To report a new member who chooses Plan 2, employers must report the following to DRS after receiving the MIF:

- the Plan Choice date and
- the Plan Choice code ("2c").

To report a new member who chooses Plan 3, employers must report the following to DRS after receiving the MIF:

- the new Plan number (Plan 3)
- the Plan Choice date
- the Plan Choice code ("3c or 3d") and
- the member contribution rate and investment program selections.

Transfer members – To report a member transferring to Plan 3 (January Transfer Option), employers must report the following to DRS after receiving the MIF:

- the new Plan number (Plan 3)
- the Plan Transfer date;
- the Plan Choice code ("3x") and
- the member contribution rate and investment program selections.

Plan 3 members – To report a new employee who previously established membership in Plan 3, employers must report the following to DRS:

- the compensation, employer contributions, hours, begin date, other information typically sent on the first transmittal report and
- no member contributions, contribution rate option, or investment program, should be reported until you receive the MIF
- once you have received the MIF, report the member contributions, contribution rate option, and the investment program– if you do not receive this form within 90 days of the member's date of hire, you must report Contribution Rate Option A and the WSIB Investment Program

In all cases, upon receiving the MIF, the employer includes the information listed above on the next transmittal report based on the employer's payroll cutoff schedule. The original MIF should be forwarded to DRS only if Section 2 is completed.

For questions related to this handout, please contact DRS' Employer Support Services (ESS) unit toll-free at 1-800-547-6657, option 6, then option 2, or (360) 664-7200 in the Olympia area. You may also contact ESS by e-mail at DRSEmployer@drs.wa.gov.